

Minerals Management Service

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Minerals Management Service and the Energy Policy Act of 2005

Since its creation in 1982, the Minerals Management Service (MMS) has managed offshore oil and gas exploration in the 1.76 billion acres of the Outer Continental Shelf (OCS). With passage of the Energy Policy Act of 2005, MMS received the added responsibility of regulating alternative energy sources in offshore areas as well. The Act also directed MMS to establish a Coastal Impact Assistance Program, and an automated royalty credit system; as well as participate in interagency gas (methane) hydrates research.

Key Components of the Energy Policy Act of 2005 for MMS

Alternative Energy

Alternative energy currently makes up 9 percent of the energy resources that are used in the U.S. With the increased activity that is sure to come about in the near future, that 9 percent figure could quickly grow. MMS currently has 2 projects under review, the Cape Wind Energy Project and the Long Island Offshore Wind Park Project.

The new program for management of alternative energy exploration in the OCS is called the Alternative Energy and Alternate Use program. Through this program, MMS will intensively

work with many organizations on aspects of the program such as:

- Development of appropriate regulations and compliance to ensure environmental protection;
- Appropriate locations for alternative energy facilities;
- Environmental monitoring and conservation of natural resources
- Granting of permits;
- Appropriate leasing procedures;
- Review of alternative energy proposals;
- Appropriate payments for use of the OCS and revenue sharing with states; and,
- Safety.



MMS is currently developing the alternative energy program regulations. Steps remaining in the programmatic regulatory development processes include:

- Spring 2007 –Proposed Rule & Draft Programmatic Environmental Impact Statement (60 day comment period)
- Summer 2007 – Public Hearings

- Fall 2007 – Final Programmatic Environmental Impact Statement and Notice of Proposed Action
- Fall 2007 – Final Rule and Record of Decision

Coastal Impact Assistance – \$250 million annually from revenue receipts, fiscal years 2007 through 2010

A key feature of the Energy Policy Act of 2005 includes funds to six states and local coastal jurisdictions with OCS production off their coasts for coastal conservation, protection, restoration, and mitigation projects and coastal conservation planning. Funds are to be allocated among the states based on revenues generated from OCS leases within 200 miles of each state. Thirty-five percent of each state's funds will be further distributed to counties, parishes, or boroughs based on population, coastline and distance from applicable OCS leases.

States must submit coastal impact assistance plans for approval before grants will be awarded. From fiscal year 2007 through 2010, \$250 million will be made available annually for the grants. MMS will review and approve state plans, and oversee project monitoring.

Automated Royalty Credit System

With the new alternative energy regulatory responsibilities come requirements for major refinements to MMS's royalty management systems to accommodate alternative energy projects. The Energy Policy Act of 2005 has three provisions dealing with royalty credits. These provisions require major refinements to MMS's royalty management systems to allow companies to use credits to pay royalty obligations. These credits will cover some of the cost of developing and implementing those refinements.

"Credits" for the most part equal money without actually having money. A credit will be issued to a company for something (reclaiming

abandoned wells, supplying energy to a State or County, giving up land or a lease, etc.) and that credit can be used to "pay off" a current royalty obligation. For accounting purposes, MMS will set up a credit to liquidate the obligation and record the transaction.

A Word on the Budget

The Energy Policy Act initiatives were a major part of the MMS budget request for FY 2007 -- \$8.4 million. As of February 2007, the fiscal year 2007 budget appropriation has not been enacted by Congress. At present, a Continuing Resolution is in effect that funds the Federal government through Feb. 15, 2007.

The President's proposed budget for fiscal 2008 reflects a continuation of funds for these initiatives, however, part of the money is redirected to other priorities.

MMS manages offshore oil and gas exploration as well as renewable and alternative energy sources such as wind, wave, and solar on 1.76 billion acres of the Outer Continental Shelf while protecting the human, marine, and coastal environments. MMS also collects, accounts for, and disburses mineral revenues from Federal and American Indian lands, sharing revenues with states, American Indians and individual lease holders, and the U.S. Treasury. The revenues are also contributed to the Land and Water Conservation Fund and other special use funds. In Fiscal Year 2006, disbursements were made of approximately \$12.8 billion, totaling nearly \$164.9 billion since 1982.

For more information on the Minerals Management Service, go to www.mms.gov.

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